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# RSC Policy Brief: Administration's Own Actuary Finds that ObamaCare Will Increase the Cost of Health Care

Once again the CMS Office of the Actuary has found that the Democrats' government take-over of health care as amended by the reconciliation bill will not reduce health care spending. Instead it further increases it.

**Coverage:**

- CMS estimates that the new bill will cover a total of 33.8 million people with 23 million still uninsured.
- $120 billion in new tax penalties (up from $72 billion in previous estimates) with $33 billion coming from individuals and $87 billion from employers.
- 25 out of 41 million people would get credits in the Exchange – leaving a significant portion paying far more than they do now.
- 18 million would not enroll and instead pay the fine. (page 8)
- 14 million people will be dropped from employer coverage as "…the per-worker penalties assessed on nonparticipating employers are relatively low compared to prevailing health insurance costs. As a result, the penalties would not be a substantial deterrent to dropping or forgoing coverage." (page 7)

**Medicaid/CHIP: Quality Care for all? No.**

- Enacting the law will put 20.4 million more people on Medicaid/CHIP in 2019. 18 million uninsured would join the Medicaid roles and 2 million people with employer sponsored care would enroll in the program for supplemental coverage.
- Total cost (in addition to $410 billion in coverage costs) is $28.3 billion (up from previous estimates of $27.1 billion in savings).

**Medicare:**

- **Total Cuts $575.1 billion (up from $540.7 billion in previous estimate) including (Page 8):**
  - Reduces Part A and B payment levels and reduces market basket updates ($233 billion).
  - Eliminates the Medicare Improvement Fund ($27 billion).
  - Reduces DSH payments ($50).
  - Makes cuts to Medicare Advantage ($145).
  - Freezes the income thresholds for Part B income–related premiums for 9 years ($8 billion).

    - Independent Payment Advisory Board (IPAB) ($24 billion).
    - Increases Medicare Payroll tax ($63 billion).
    - Cuts are offset by $24 billion in increases (Part D, primary care, etc)
- **Millions of seniors who like what they have can keep it? No.**
    - 7.4 million Medicare Advantage beneficiaries would be forced to leave the program due to less generous benefit packages. Enrollment would be reduced by a staggering 50% (from 14.8 million to 7.4 million) as the plans reduce extra benefits that they currently offer. Seniors leaving the private plans would still have health insurance under traditional Medicare, but many might face higher out-of-pocket costs. (Page 11)
- **Improve the Solvency of Medicare? Not if you pay for the bill with it.**
    - Although it would lower the exhaustion date of the HI trust fund "in practice, the improved HI financing cannot be simultaneously used to finance other Federal outlays and to extend the trust fund, despite the appearance of this result." (page 9)
    - Note: 3.8% "unearned income Medicare contribution" doesn't go to Medicare–despite its title. (Page 9)
- **Unsustainable? Yes.**
    - OACT warned that the Medicare cuts (such as permanent annual productivity adjustments to price updated for most providers and IPAB) may be unrealistic as providers could find it difficult to remain profitable and leave the program "possibly jeopardizing access to care for beneficiaries". OACT estimates that about 15 percent of Part A providers (hospitals) will become unprofitable over the 10 year window. (page 10)

**Changing the Trend in Spending Growth: Bend the Cost Curve? No.**

- CMS' Actuaries have found that the Senate bill, and reconciliation bill, will increase National Health Expenditures (NHE) by $311 billion or 0.9% (up from $222 billion for just the Senate bill) above current projections. Additionally, the actuaries have serious doubts about the proposed Medicare cuts actually occurring. (Page 15)
- This increase would result from increased utilization offset by reduced payment to providers under Medicaid and Medicare resulting in a 3.4% increase in NHE offset by 2.4% in Medicare cuts (assuming they actually occur). (page 16)
- The NHE will take up 21% of GDP by 2019. (page 16)
- Total Federal costs will increase by $251.3 billion over ten years. (page 2)

**CLASS Act: Budget Gimmick and "Ponzi Scheme"? Yes.**

- CMS predicts that the CLASS Act will "face a significant risk of failure" and will result in an "insurance death spiral". CMS states that "there is a very serious risk that the problem of adverse selection will make the CLASS program unsustainable." (page 15)
- "In 2025 and later, projected benefits exceed premium revenues, resulting in a net Federal cost in the longer term." (page 14)

- CMS predicts only 2% of people will participate due to numerous factors including: lack of Federal subsidy, a high premium for most participants due to adverse selection and the availability of lower-priced private long-term care.
- Premiums would be as much as $240 a month (after paying in for 5 years in order to receive a $50 a day benefit)

**High Risk Pools:**

- CMS has once again estimated that the funding for the new high risk pool due to strict rating rules, among other items, will run out by 2012 – two years before insurance companies are required to cover everyone regardless of pre-existing conditions and Exchanges are up and running.
    - Either the federal government will have to spend even more money, require the states to pay the tab, or substantially raise premiums for those enrolled. (page 16)

**Note: The CMS OACT estimate did not include several costs and taxes outside of their expertise or additional administrative expenses associated with implementing the bill.*

For the Estimated Financial Effects of the "Patient Protection and Affordable Care Act," as Amended, click here.

For the Estimated Financial Effects of the "Patient Protection and Affordable Care Act," as Amended, on the Year of Exhaustion for the Part A Trust Fund, art B Premiums, and Part A and Part B Coinsurance Amounts, click here.

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